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A Study of Internet Book Sale

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ABSTRACT

This report has analyzed the business model of KINOKUNIA online book service, by comparing the service of KINOKUNIA online book shop with the other four big online book shop in Japan, some advantages and disadvantages of KINOKUNIA have been found. By analyzing and comparing the service between the services of different online book shop, a more competitive advantage e-business model with quicker response and lower cost was proposed.

Keywords: book sale, e-business model, competitive advantage, net-sale

1. INTRODUCTION

While the term e-commerce refers to all online transactions, B2C stands for "business-to-consumer" and applies to any business or organization that sells its products or services to consumers over the Internet for their own use. When most people think of B2C e-commerce, they think of Amazon.com, the online bookseller that launched its site in 1995 and quickly took on the nation's major retailers. However, in addition to online retailers, B2C has grown to include services such as online banking, travel services, online auctions, health information and real estate sites.

In recent years, with the rapid development of communication technology, the Internet shopping has been more and more popular within the consumer behaviors. The internet business has got a significant development in Japan from 1998. This new kind of selling has supplied multi-choices to the customers before they made their decisions of purchase.

2. THE SITUATION OF INTERNET BOOK SALE

2.1 Background

Because of the widely use of internet in these years, there were significant changes happened on business environment, this new low cost, high efficiency communication method made the quick transfer of information of demand and supply be possible, and which formed a new business mode--- e-business. E-business can be described as "doing business by an electronic mode", much of the interest in e-business in the 1990s was driven by the belief that it would be the source of exciting new revenue opportunities both for existing businesses and for new start-up businesses. Both the business-to-consumer (B2C) and business-to-business (B2B) models proliferated as traditional companies and new e-commerce companies entered the online marketplace. The book sale by internet is a typical model of business-to-consumer.

The revenue opportunities these models represent are almost endless. Nevertheless it is possible to understand them as falling into several broad categories driven by the nature of online commerce itself:

- Enhanced access to customers
- Enhanced sales to existing customers
- Electronically enabled products

From 1998, E-business has got a significant development in Japan, one of the pertinent causes is the increasing amount of internet users, until Feb. 2004, there were 62,844,000 internet users in Japan, and in the foreseeable future, this amount would increase to 67,000,000 in Dec. 2004, which would be the third large amount of internet users in the world. [6] (Fig 1)

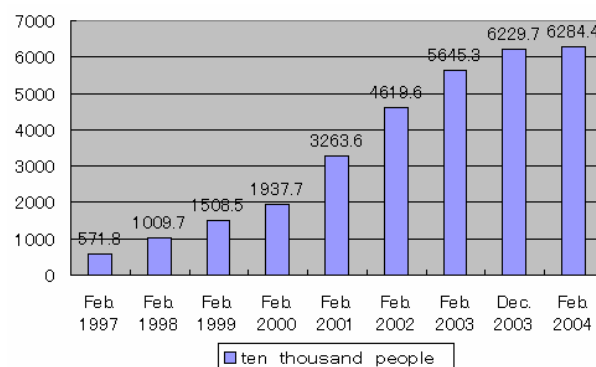


Fig. 1, the number of internet users in Japan from 1997 to 2004 Source: Internet White Paper 2004 pp46 by author

With the widely use of internet, more and more people have accepted the new internet sale mode, in Jun. 2003, vagabond and eye bridge company has investigated 1000 internet users for internet shopping, more than 70% of them have used internet shopping services, and in all the things they bought on internet, most of them were low price things, books are the most regular bought things which was 13.3% in all.[13]

2.2 Today's online book sale in Japan

The online book sale has begun from 1995 in Japan, at that time, one of the biggest book-shop---MARUZEN has built a database of 3.6 million books which were written not only in Japanese language but also in foreign languages including Chinese, English, and French etc,

the services of this online bookshop also included credit payment and home delivery. The MARUZEN online bookshop was the first big online book-shop in Japan. In the following several years, nearly all the biggest book shop in Japan have built their own online website, including KINOKUNIYA, SANSEIDO, BUNKYODO. Because of the high profit of online book sale, some publishers and big book-agents also joined in this kind of service, even some big delivery company, for example, the YAMATO transport service group has built its own book service website. Now, there are about 100 online book shop in Japan, about 10 of them are leading the way. The classification of them is (1) Combination of actual bookshop and online bookshop--- normally, the online bookshop is built based on actual bookshop for purpose of increasing sales and supplying better services, such as KINOKUNIYA, MARUZEN, SANSEIDO, and BUNKYODO; (2) Simplex virtual bookshop--- only online bookshop without actual bookshop, such as ESBOOKS, RAKUDEN, and BKI; (3) Books selling on a commission basis virtual bookshop--- this kind of bookshop is run by several shareholders, including book publishers, sale agents and even delivery companies, such as E-HON, HONYA-TOWN, and YAMATO.[5]

The common ground of all the online book shops is they all have a public database on their website and the customers can search and order their books online and their books would be delivered to their home. The difference between different online book shops is the results got from the database are different and the different payment, supply and delivery methods chosen and time. (Fig. 2)

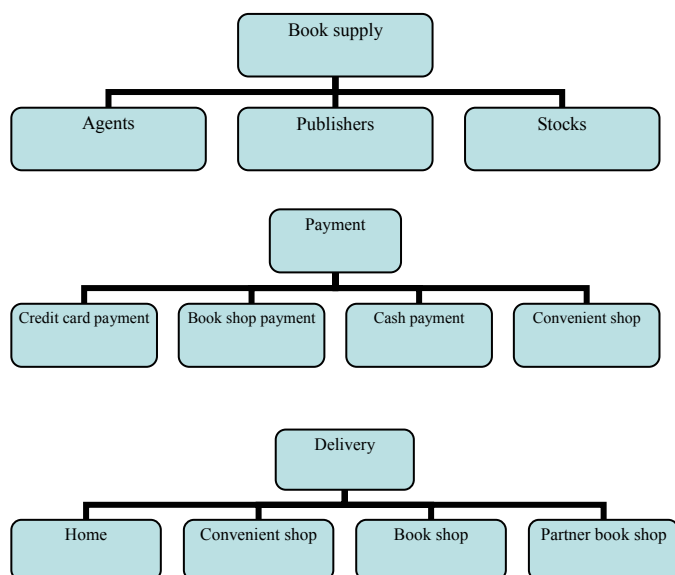


Fig. 2, Classification of Payment, Supply and Delivery

3. THE ONLINE BOOK SHOP OF KINOKUNIA ANALYSIS

3.1 General situation of KINOKUNIA

KINOKUNIYA is one of the biggest online bookshops

in Japan. In 1996, it has launched its virtual bookshop--- KINOKUNIYA BOOKWEB. It was a new online ordering and search service for Japanese books and foreign language books for individual customers. Even in the situation of drastic horizontal competition, it got more than 200 million sales per month in average. Now, as a representative internet shop in Japan, it got a significant development and more and more comprehensive concern.

The online service can only be used by members, although non-members could use the service too, but the search results and display pages are limited by the server, and they couldn't use some special only for member services, so to use all functions of the online book shop of KINOKUNIA, the best way is to be member of it. It is easy to become a member of it, you can do it online, before 2002, it charged 1,500 Yen to become a member, and now, it is free. After you become a member of KINOKUNIA, you can use the huge database of the book shop to choose your favorite books either in Japanese or in foreign languages. The database includes 1.85 million Japanese books and 2.85 million foreign books, which is one the biggest database in the world, under each book, you can find the details of it, including the contents, the author, publisher, and the stock. In addition, KINOKUNIA online book shop has supplied recommend service to members on their own homepages, you can use key-words, author or theme to get your results from the server. For its good quality services and easy use functions, the book-web of KINOKUNIA has got a lot of encouragements in Japan.

3.2 The processes of online book sale by KINOKUNIA

The KINOKUNIA online book shop has limited some of its services to be used by members only, so the first step for customer to use the online service is to become a member, in the registration step, the customer was required to provide name, home address, contact number, credit card details, etc., after that, the customer would get a KINOKUNIA ID and password, by using this ID and password, the customer can use the online book shop services for search and order books.

After logging on to the homepage of KINOKUNIA, the member can use the database of the online book shop to search the books they want, the result would present the details of the books including the author, content, publisher, edition and price, the customer can also choose the nearest branch to order his book. After the online book shop received the order from the customer, if there are stocks in the shop, the online book shop will give a answer to the customer through its Quick Response System and post the books to the customer, if no stock in the shop, the online book shop would order the books from the publisher or agent, and the customer would get a mail to tell them the situation of his order. The KINOKUNIA online book shop would send the

books to the customer by its specially assigned delivery company. During the process of delivery, the customer can get some auto mail from the online book shop to tell them the situation of his order, and the data when the books are delivered and when the books can arrive to the customer, normally, it would take 4 days for Japanese books and 7days for foreign books.

The payment methods can be chosen by the customer, you can pay by credit card when you order the books online, and for using this payment, the online book shop would charge 380 Yen for delivery, or you can choose to pay when the books arrive, it would charge 200 Yen by the delivery company. (Fig. 3).

3.3 The advantages of online book shop of KINOKUNIA

A. Its particular virtual bookshelves that make the customers have a feeling of searching in a real bookshop, some book lovers like to choose their books just before the real bookshelves and which give them a special feeling of reading, to satisfy the need of this kind of customers, KINOKUNIA online book shop has set its virtual bookshelves and by this setting, it can give the customers a feeling like choose books in a real book shop.

B. Huge book database that include 1.85 million Japanese books and 2.85 million foreign books; detailed book information introduction; convenient delivery, the customer can choose the nearest branch and get the books in the shortest time, all these services can supply more convenience to the customers, and easier for customer to choose their favorite books.

C. Secured and flexible payment methods, the customer can choose from pay by credit card when order the books online, or pay when the books are delivered to his home, and when the payment happen, the customer's personal details are needed, which makes the payment safe and easy.

3.4 The disadvantages of online book shop of KINOKUNIA

A. No bonus system, some of the online book services have a kind of system to return profit to customer, for example, the point return system, the regular customers can get bonus points when they purchase the things from the website, and they can use their points as money on this website. Although it is not the necessary condition for a customer to choose the service, but some customers would be affected by this kind of system, if this kind of bonus system was used by KINOKUNIA, the sales would have an increase. In the modern management, the bonus system is an important method to attract new customers and keep the regular customers. To increase the sales, some promotion methods should be used.

B. The extra cost of delivery of the books, the delivery cost 380 Yen per time, the extra cost would affect the customers who only buy one or two books each time, some of them would choose to the real book shop instead of shopping online, to reduce this kind of customer's burden, the online book shop could charge by each book instead of charge by delivery time.

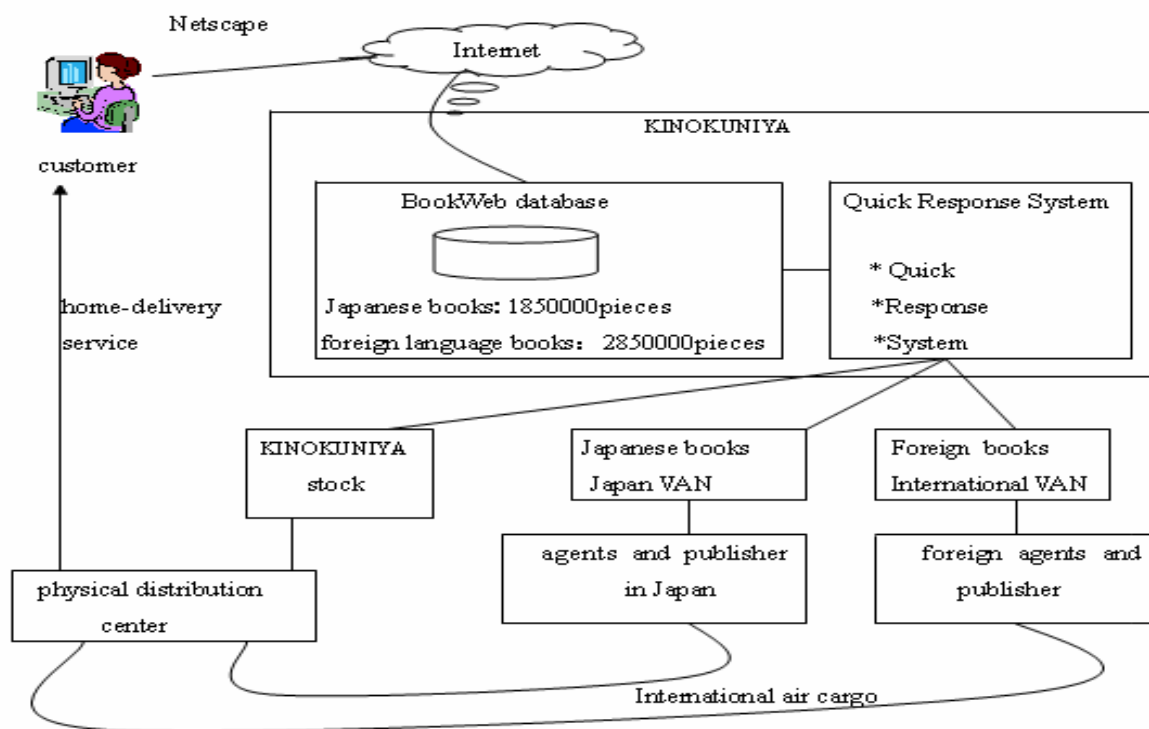


Fig. 3, online book sale process (Source: <http://bookweb.kinokuniya.co.jp> by author)

Table 1, Comparison of services

○: enable ×: disable

store	settlement				delivery place			book review	point
	credit	cash on delivery	over the counter	etc	home-delivery service	foreign	premise		
bookservice	○	○	×	×	○	○	×	×	×
honya-town	○	○	○	×	○	×	○	×	×
esbooks	○	○	○	○	○	×	○	○	×
jbook	○	○	×	○	○	×	×	○	○
bookweb	○	○	○	×	○	○	○	×	×

Source: <http://hon-michi.net/service.htm>

4 THE COMPETITIVE ADVANTAGE E-BUSINESS MODEL

The business model could be affected by the customers' shopping requirements; Japan is a shop high consistency country, customers have a lot of opportunities to get their needs by real shops, so consider of this situation of Japan, a more competitive e-business model is needed for the internet shops. To satisfy the need of customers, we need to know their concerns about the services, the following figure is an investigation by Myvoice. Com for the concerns when the customers choosing to buy books from online book shop: from this figure, we can see that 33% of customers paid attention to the delivery fees of the online book service, and the following concerns were the categories, book review, delivery time, bonus points, and delivery places, etc.(Fig 4)

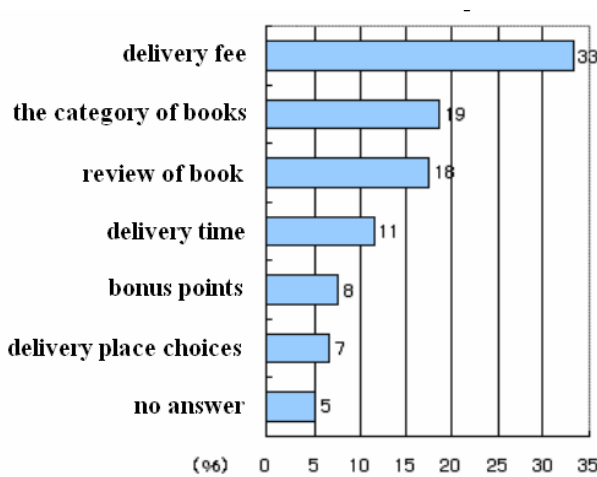


Fig 4, the concerns of customers about services

Source: <http://www.myvoice.co.jp/voice/enquete/2203/index.html>

By consider of the concerns of the customers in the business management, the biggest online book shops have supply their own special services to their customers, the following table is the services comparison between each online book shop.(Table 1)

Each online book shop has its own characteristics; JBOOK is the online book shop of BUNKYODO book shop, the customer can get 3% bonus points when purchase books online; HONYA-TOWN is the online

book shop of a group of publishers and book agents, the benefit of purchase books there is no charges for the delivery from the nearest branch of its group; BOOKSERVICE is a online book shop of YAMATO transport company, the advantage of it is the BOOKSERVICE can use YAMATO company's transport to deliver the books and which save time of the customers; and EBOOKS gives more choices of the delivery places to the customers, they can choose the most convenient place to pick up the books.[12]

By analyzing and comparing the service of KINOKUNIYA BOOKWEB and the other 4 online bookshops in Japan, a competitive advantage e-business model with quicker response, lower cost and more convenient delivery choices was proposed.

The major challenges of B2C online book sale are:

- Getting browsers to buy things — your online book shop site cannot live on traffic alone. Getting visitors to the site is only half the battle. Whether they buy something is what determines if you win. The so-called conversion rate for B2C e-business sites is still fairly low. (Boston-based Yankee Group said in November 2000 that the average rate was 1 percent.) Some ways to boost your conversion rate include improving navigation, simplifying checkout process (such as one-step checkout and easily replaced passwords), and sending out e-mails with special offers. For the online book shop, the best way to attract customers is to make your database user friendly, which means all customers can use your website easily and conveniently.
- Building customer loyalty — with so many online book shop sites out there, how can you build a strong relationship with customers? Here are some tips:

1. Focus on personalization: a wide array of software packages are available to help the online book shops create unique boutiques that target specific customers. For example, American Airlines has personalized its website so that business fliers view it as a business airline and leisure travelers see it as a vacation site. Amazon, which built its own personalization and customer relationship management (CRM) systems, is

well known for its ability to recognize customers' individual preferences.

2. Create an easy-to-use customer service application. Providing just an e-mail address can be frustrating to customers with questions. Live chat or, at the very least, a phone number will help. For the online book shop, the customers should get quick respond for their questions, so the customer service is important to the online book shop.

3. Focus on making your site easy to use. Fulfillment — E-commerce has increased the focus on customer satisfaction and delivery fulfillment. One cautionary tale is Toys "R" Us' holiday debacle in 1999, when fulfillment problems caused some Christmas orders to be delivered late. Since then, companies have spent billions to improve their logistical systems in order to guarantee on-time delivery. Providing instant gratification for customers still isn't easy, but successful B2C e-commerce operations are finding that fulfillment headaches can be eased with increased focus and investment in supply chain and logistical technologies.

In the interest to increase the online book sales, some steps could be taken. First, know your customers, all of them, for the purpose of attracting new customers and keeping the existing customers, the online bookshop should consider more on the sight of customers. Such as both members and non-members can purchase the books on the web site freely, but the members can get some bonus points or discount; the places of book delivery can be chosen by the customers, they may choose from their home, the convenient place near to their home or the nearest branches of KINOKUNIYA BOOKWEB, and the cost of different deliveries are different; the BOOKWEB can get the book orders directly from the publisher instead of the agents which can lower the purchase price of the books; more payment methods should be added, such as paying by mail or by BOOKWEB purchase recharge card.

Second, develop IT strategies for specific customer needs, when the customers trying to buy books online, they want their orders to be respond as quick as possible, which means they should get the books they ordered quickly, and the payment method they choose should be safe, so that needs the IT support of the online book shop, by using the correct IT strategies, the orders of the customers can be deal quickly, safely and correctly.

Third, more communications with customers, the management team should know what the customers need,

what they concern and make changes to satisfy the needs of the customers, which means build the customer-focused culture in the management group of the online service. After all, good customer relationships are at the heart of business success.

5 CONCLUSION

To sum up, more and more consumers would accept the new purchase method--- by internet, so most businesses should pay more attention to this trend and get enough preparation to the new chance for their promotion.

The competitive advantage e-business model can help the online book shop use technology and human resources to gain insight into the behavior of customers and the value of those customers. If it works as hoped, the online business can:

- provide better customer service
- make book shop branches more efficient
- cross sell products more effectively
- simplify marketing and sales processes
- discover new customers
- increase customer revenues

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